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# The Birmingham News

## State budget may drain funds

### Lawmakers seek new rainy day accounts

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MONTGOMERY - Alabama lawmakers last month passed state budgets for next year that would spend from two big funds about \$300 million more than the Legislative Fiscal Office expects the funds to collect in taxes and other revenues.

Lawmakers and Gov. Bob Riley are hoping voters on Nov. 4 will rewrite the state constitution to create new rainy day accounts that could bail out the budgets and prevent spending cuts next year if their rosier revenue assumptions prove wrong.

State Sen. Scott Beason, R-Gardendale, said he thinks Riley proposed an education budget for next year based on higher revenue projections, and most lawmakers approved it, knowing they could drain reserves to make ends meet.

"I think that is irresponsible," Beason said. "People didn't elect us to go down there and drain every emergency account dry just because some legislators don't want to tell special interest groups no," Beason said. The Senate voted 32-1, with Beason voting no, to pass next year's education budget, which Riley planned to sign into law this week.

The education budget and related spending bills for the year starting Oct. 1 appropriate \$6.36 billion from the Education Trust Fund, a drop of \$369.5 million, or 5.5 percent, from this year's record spending.

Lawmakers approved spending about what Riley suggested, adding \$30.6 million, or 0.5 percent, to what Riley proposed. But the Legislative Fiscal Office's budget forecasters were more conservative than Riley's. The LFO predicts the trust fund will collect \$132 million less than its approved spending level next year.

Beason said lawmakers should have taken their lumps and chopped next year's spending by another \$132 million to avoid the risk of proration, or spending cuts caused by lower-than-expected revenues.

Rep. Paul DeMarco, R-Homewood, agreed. "I wish that we could have made further cuts, even as painful as they would have been, to avoid proration," said DeMarco, who was one of four members of the House of Representatives to vote against the education budget. The vote was 98-4 for it.

"I don't think the budget is going to be fiscally responsible," DeMarco said.

But others said the economy might strengthen by next year and pump a lot more money into the trust fund, which gets most of the state income-tax and sales-tax collections.

"I think that our budget is definitely not conservative," said Rep. Richard Lindsey, D-Centre, who chairs the House committee that drafted the budget. Although there is a greater risk of proration with the slowing economy, he said, lawmakers hope things will turn around late this year "so we do not experience proration next year."

### **Trust fund reserves:**

The trust fund has two reserves. Lawmakers in flush years earlier this decade stuffed \$440 million into a proration-prevention account, but Riley so far has spent \$350 million of it to avoid proration this year. That leaves about \$90 million.

Tax collections for the trust fund in the first eight months of this fiscal year grew just 0.2 percent compared with the same period a year earlier. If that low growth continues, the \$90 million soon could be drained.

The trust fund also has \$248 million in a rainy day fund that voters created by rewriting the state constitution in 2002. Money for that reserve comes from the \$3.2 billion Alabama Trust Fund, which collects most of the royalties paid to the state by companies that pump natural gas offshore. The rainy day fund is like a line of credit in that lawmakers must repay money withdrawn from it within five years.

Lawmakers and top Riley aides say they worry that \$248 million doesn't go as far as it did in 2002, when that amount equaled 6 percent of the Education Trust Fund.

So Riley asked lawmakers to pass a plan that will let voters decide Nov. 4 whether to expand the education rainy day fund so it could equal 6.5 percent of each prior year's trust fund spending. Money would come from the Alabama Trust Fund and would have to be repaid within six years.

If voters go along, the education rainy day fund could grow to about \$437 million after the Nov. 4 general election, a much bigger safety net.

Voters on Nov. 4 also will decide whether to create a rainy day fund for the General Fund, the largest of dozens of pots of state money spent each year by non-education agencies, such as those over Medicaid, prisons and state Troopers.

Lawmakers approved an operating budget and related spending bills that appropriate \$2.017 billion from the General Fund in the year starting Oct. 1, an increase of \$171.1 million, or 9.3 percent, from this year. Lawmakers approved spending \$65 million more than Riley proposed, and Riley went along.

Proposed General Fund spending next year is about \$175 million more than the Legislative Fiscal Office expects the fund to collect in taxes and other revenues.

The General Fund doesn't now have a rainy day fund. Voters in 2002 narrowly rejected creating one.

If they go along this time, it could equal 10 percent of each prior year's General Fund spending. That could be about \$185 million next year. The money would come from the Alabama Trust Fund and would have to be repaid within 10 years.